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1983

68-1938

15 April 1968

MEMORANDUM FOR: Director of Personnel

SUBJECT : Retirement with Re-employment Rights

PURPOSE:

To review feasibility of CIA establishing a plan for retirement with re-employment rights.

ASSUMPTIONS:

1. That there are no legal obstacles to re-employment after retirement.
2. That there is benefit to be realized by the Agency from the use of a retirement program with employee re-employment rights.
3. That there is benefit to the employee.

SCOPE:

The arrangement would be a simple agreement between the Agency and an employee who is eligible to retire, but is not required to retire under present policy.

Under the agreement the employee would elect to retire on condition that the Agency would re-employ him after one year's retirement, at the same grade if his post-retirement work arrangement does not successfully meet his needs.

The plan is essentially that described in Department of Agriculture Personnel Letter 831-1 of 20 July 1967 and its supplement dated 25 July 1967 (attached herewith as TAB A).

FACTS PERTINENT TO THE PROBLEM:

1. In the Department of Agriculture experiment, 176 undertook "trial retirement" and only one person returned.
2. Other Department of Agriculture agencies have started similar programs. Recently the U. S. Information Agency and the Department of the Air Force, Air Force Systems Command have instituted trial retirement programs (TAB B). RCPS has established contact with officials directing these programs as well as the USDA effort.

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3. From Mr. James Entwistle, the Department of Agriculture Project Sponsor, it was learned on 20 March 1968 that thus far there have been no employee (or retiree) complaints and no complaints from any employer using the plan.

DISCUSSION:

1. Although information available to date would indicate probable good results for an agency trying such a plan, there are a number of possible difficulties that should be recognized.

2. First, it should be realized that the results obtained in Agriculture may not be matched in a CIA experiment. The "trial retirement" for many will permit them to pass the most inhibiting psychological hurdle of actual disengagement, the fear of adjustments ahead. Nevertheless, there remains a distinct chance that some will ask to be returned to duty as provided in the agreement.

3. In order to reduce the number of such returnees to the absolute minimum, selection of candidates should be restricted to:

- (a) Persons whom the career services could accommodate should they request restoration after one year of retirement.
- (b) Persons who have no real or monetary need to work upon retirement or persons who possess skills and capabilities which are reasonably saleable in external employment.
- (c) Persons whose attitudes and temperament indicate good prospects for adjusting to the new phase of life.

4. As a further management control factor in the first program year, the number of retirees with re-employment rights should be limited. Allocations should be established for each career service adjusted to the career service's capacity to guarantee restoration after one year should their candidates not make a successful adjustment into permanent retirement.

5. Procedures recommended for a pilot experiment are as follows:

- (a) Preparation by the RCPS of a system to establish and verify eligibility of candidates and to provide counseling and placement assistance as required.
- (b) Announcement to each career service of the Agency's intention to undertake the pilot program and a request that each career service provide:

- 1. The number of allowances and the names of persons considered suitable for the program.

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2. A statement of assurance that positions will be available for any who may request restoration rights.

(c) Announcement to all employees of the plan.

6. No exceptional administrative provisions are required nor anticipated for any case. The retirements arranged under the plan will be routine and in accordance with established procedures. The Office of Security would be requested to continue security clearance for the one year period following retirement. Procedures for re-employment will follow established patterns. The precise status of the returning retiree would be that of a re-employed annuitant.

7. No additional funding would be required nor would any new Agency structure be required for its administration. Costs during the retirement period would be assumed by the retirement system. Savings would accrue to the Agency in terms of saved salary costs, the difference between retiree and new employee. From the point of view of personnel relations only good effects are foreseen.

CONCLUSIONS:

1. A pilot experiment allowing for trial retirement for a selected group is feasible. It would entail no new components for its administration and costs would be negligible. Savings to the Agency are obvious.
2. This experiment appears to have a strong potential for serving the best interests of both the Agency and its employees.
3. Such a program would encourage serious external employment efforts for many and provide an early retirement opportunity not currently available.

RECOMMENDATIONS:

1. That the program of retirement with re-employment rights be approved as a one-year experiment for a prescribed number of employees (not more than 50) as selected by the career services.
2. That development of the program in detail be undertaken by the Retirement Counseling and Placement Staff following procedures described herein.

Chief, Retirement Counseling and Placement Staff

Attachments:

(2) A/S

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Chief, Retirement Counseling and Placement Staff

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UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF PERSONNEL
WASHINGTON, D.C. 20250

PUBLISHED IN ADVANCE OF INCORPORATION
IN DPM 831
RETAIN UNTIL SUPERSEDED.

July 20, 1967

PERSONNEL LETTER NO. 831-1

SUBJECT: Program for Trial Retirement

The Office of Personnel in August of 1965 authorized the Agricultural Stabilization and Conservation Service to conduct a trial employee retirement plan. This plan was aimed at helping employees plan more effectively for retirement. It applied only to those eligible for optional retirement under the Retirement Act. It provided employees the opportunity to retire with job restoration rights after one year. It also allowed employees to serve part-time for one year and then return to full duty or retire from service.

About 175 ASCS employees retired under the trial plan. Only one elected to return to duty. A number of retirees indicated the experimental plan helped them in making what otherwise would have been a difficult decision to break ties they had built up in the work environment over a period of time. Little or no problems were noted by ASCS in reporting experience with the plan.

The Office of Personnel feels other agencies may wish to try a similar program. No agency will be required to adopt such a program.

AG 831 is hereby amended by addition of the following subchapter

SUBCHAPTER 15 - TRIAL RETIREMENT PROGRAM - AGENCY ADOPTION IS OPTIONAL

15-1 OPTIONS

Employees eligible and applying for optional retirement may exercise either of two trial retirement options:

- a. Full retirement with job restoration rights. Employees electing this option must either return to duty 365 days after the effective date of retirement, or remain in full retirement.

(over)

INQUIRIES: Employee Development, Safety and Welfare Division
Extension 7661

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15-2 COVERAGE

Trial retirement options may be elected by any employee who is less than 68 years of age excluding:

- a. persons with other than a career appointment;
- b. persons retiring because of disability or discontinued service;
- c. persons retiring after verbal or written notice that they are either under investigation or will be investigated for some act on their part, or who retire in lieu of facing charges.

15-3 EXERCISE OF RESTORATION TO DUTY OPTION

Employees who elect to return to the duty after retirement or return to full-time employment after part-time service:

- a. will be placed in a position of like grade and salary to that held prior to the trial retirement period, except that super-grade employees will be placed in a GS-15 position with protection of salary to extent possible.

15-4 PROCEDURES

- a. Application for trial retirement option. Employees wishing to exercise a trial retirement option shall make written application to their agency head in such form as the agency prescribes.
- b. The Agency head or his designee will take the following steps:
 - (1) Review each request for optional retirement.
 - (2) Make determination as to whether approval of the request is in best interest of the service.
 - (3) Advise the employee by letter of the decision. If the decision is favorable, a letter of agreement in duplicate will be sent to the employee. The letter should outline the employee retirement rights under the trial retirement option plan elected by the employee. The employee who decides to accept must sign both copies and return the original as directed in the letter.
- c. Binding Effect of Agreement. The agreement when executed shall be binding both upon the employing agency and the employee.

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15-5 STATUS UPON REEMPLOYMENT AS AN ANNUITANT

- a. Reemployment annuitants. All reemployed annuitants will continue to receive their annuity checks. Their salaries will be reduced by the amount of annuity for each work period.
- b. Recomputation of Annuity. Reemployed annuitants who work at least one year will be entitled to receive a supplemental annuity after separation based on the length of additional service.


Director of Personnel

UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF PERSONNEL
WASHINGTON, D.C. 20250

PUBLISHED IN ADVANCE OF INCORPORATION
IN DPM 831
RETAIN UNTIL SUPERSEDED.

July 25, 1967

PERSONNEL LETTER NO. 831-1, Supplement No. 1

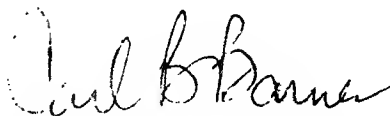
SUBJECT: Program for Trial Retirement

Paragraph 15-1 of Personnel Letter 831-1, dated July 20, 1967, is amended as follows:

15-1 OPTIONS

Employees eligible and applying for optional retirement may exercise either of two trial retirement options:

- a. Full retirement with job restoration rights. Employees electing this option must either return to duty 365 days after the effective date of retirement, or remain in full retirement.
- b. Part-time tour of duty. Employees electing this option must arrange to work a regular schedule of less than 40 hours per week. At the end of 365 days of part-time work, they must either return to full-time duty or exercise optional retirement.



Director of Personnel

INQUIRIES: Employee Development, Safety and Welfare Division
Extension 7661

PL-168



Circular

337D & 341F

B

March 21, 1968

SUBJECT: Program of Trial Retirement

1. Proposal

The Agency announces a program of "trial retirement," which will remain available to eligible employees for at least one year. At the end of one year the program will be reappraised and a decision made whether or not to continue trial retirements. Under this program employees of the Agency who are eligible for an immediate annuity (other than for disability or discontinued service) under the Civil Service Retirement Act may be given the opportunity to retire with a guarantee of reemployment after one-year trial.

2. Coverage

(a) Civil Service Employees

Any Career, Career Conditional, or unlimited Schedule A or B Civil Service employee who is eligible for an immediate annuity and who is less than 67 years of age may apply for trial retirement.

(b) Foreign Service Employees

The following categories of Foreign Service employees may apply for trial retirement:

- (1) Career Reservists under age 59.
- (2) Regular FSS employees under age 67.
- (3) Limited FSR or Limited FSS under age 67 with reemployment rights to a Civil Service position or retreat rights to regular FSS status.

3. Exercise of Restoration to Duty Option

Employees who elect to return to full-time duty after trial retirement of one year will be appointed as reemployed annuitants. They will be placed in a position of comparable grade and salary to

**YOUR TRIAL
RETIREMENT**

AFSC PROJECT 55-60



What is Project 55-60??

Project 55-60 is a furtherance of the Systems Command policy to manage its human resources in a manner that will be mutually beneficial to the individual and the Air Force. It provides eligible civilian personnel the opportunity to try retirement, whether that be a second career, traveling, or just relaxing. The beauty of Project 55-60 is that it is a one year period to "try" retirement. If after one year it is not everything you anticipated, you may return to work at the same grade and salary step. The only exception to this is that persons retiring from PL 313 and Supergrade positions can only be assured of a grade GS-15 with protection of salary to extent possible.

Many people have some apprehension and misgivings about adjusting to retirement. Because of this, numerous inquiries have been received concerning a way retirement could be given a trial without the "burning of bridges". Project 55-60 has been established because of the high degree of interest and the overall attractiveness of the plan to both employees and employer.

Who is Eligible to Participate?

All persons eligible for U. S. Civil Service optional retirement, i.e.,

- Age 62 and older with 5 years or more service
- Age 60 and older with 20 years or more service
- Age 55 and older with 30 years or more service

are eligible to participate in AFSC Project 55-60. Persons eligible for disability, discontinued service, and mandatory retirement are not eligible to participate in this plan. (See Parts I and II of your Certificate of Membership in the United States Civil Service Retirement System, SF Form 105, Nov 66).

Why Participate?

If you are like most people, you have given considerable thought to your and your family's future. In this connection, no doubt, a variety of things have crossed your mind such as a second career, working for industry, in business for yourself, travel, or just relaxing. However, you may have heard stories of how a few retirees are unhappy, have a hard time making ends meet, and can't adjust. Now you can relax if you choose to participate in Project 55-60. The advantages of participating are:

- Try retirement with the guarantee you can return to duty.
- With guarantee of a salary income not less than that prior to retirement.
- With guarantee of grade.
- A year's paid vacation (annuity).

No loss of insurance type fringe benefits.

If you return to duty:

- No loss of salary accumulation.
- Not over or under eligible for supplemental annuity at final retirement.

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How to Participate

Persons eligible to apply and desirous of trying a year away from their current position should submit their request to their immediate supervisor. (See sample below). All applications must be received by the immediate supervisors 60 calendar days in advance of proposed date of separation for retirement.

SAMPLE APPLICATION

(date)

SUBJECT: Request to Participate in AFSC Project 55-60

TO: (Name of Immediate Supervisor)

1. It is requested that I be permitted to participate in AFSC Project 55-60. I would like to be separated for retirement effective _____.

2. When my request is approved, I understand that I will have the right to return to duty one year from date of separation at my current grade and salary step: grade _____, step _____. (Persons occupying PL 313 and Supergrades will use "GS-15" and "protection of salary to extent possible.") I further understand that if I desire to return to duty, I am required to advise the Civilian Personnel Officer of that fact, in writing, not later than the first working day of the 11th month after separation for retirement.

(Signature)

Who Approves Participation.

Nearly all requests to participate will be automatically approved. It is anticipated that there may be an occasion when a combination of unusual circumstances would prohibit the approval to participate. Such an occasion could be when the employee was assigned work which was of such a nature that it would be virtually impossible to assign someone else, if someone qualified were found, for a year without impairing the project and compromising the retiree's reemployment to a position for which he qualifies. Commanders of designated organizational identities and Laboratory Directors have the responsibility of approving the date employees may enter a non-duty status. Some of the reasons the desired date may not be acceptable would be: when more than one person wants to leave the same organizational segment and their departure at the same time might affect the capability of the unit; an employee is occupying a one-of-a-kind position; and where the employee is occupying a position in a scarce category area.

Most of the above reasons which may appear to be problems can be resolved by mutually agreeing to adjust the effective date of retirement. As an example, if several eligibles working in the same organizational segment make application to participate starting at approximately the same date, the Commander might immediately approve the eligible having the most service and negotiate the dates of other eligibles using length of service for order of priority.

Commanders and Laboratory Directors will enter into a signed agreement with the employees whose separation for retirement dates have been agreed upon. The employee and the Civilian Personnel Office will receive a signed copy of the agreement.

How to Return to Duty.

Those persons desiring to return to duty will make this known by advising the Civilian Personnel Officer in writing not later than the beginning of the 11th month after separation for retirement (60 days prior to return to duty). If, as an example, an employee was separated for retirement effective 30 June 1968, the Civilian Personnel Officer would have to be notified, in writing, on or before 1 May 1969 (first working day of the 11th month) that the retiree wanted to report for duty 1 July 1969. It will be assumed that retirees not giving a written notice by the first work day of the 11th month do not desire to return to duty. Participation agreements will be voided if the Civilian Personnel Officer has not received a written notice by the first working day of the 11th month after the retiree was separated for retirement. Should the organization from which the retiree separated be deactivated or reorganized to the extent that either its functions or mission is unidentifiable and there is no way to reemploy the retiree, Headquarters AFSC will assume that portion of the original organization's agreement to offer a position at the same grade and salary step to the retiree within the Command.

The retiree who elects to return to duty after retirement will be placed in a position for which qualified, of like grade and salary to that held prior to the trial retirement period, except that PL 313 and Supergrade employees will be placed in a GS-15 position with protection of salary to extent possible.

All reemployed retirees will continue to receive their annuity checks. Their salaries will be reduced by the amount of annuity.

What Happens to Leave?

Annual Leave -- Annual leave in excess of 30 days (or the maximum the employee can carry over from one leave year to the next) must be taken before the effective date for separation for retirement. The 30 days or maximum annual leave will be paid in a lump sum. An example, an employee in leave category 3 (26 days a year) with 240 hours (30 days) annual leave carried over from one leave year to the next - plans to retire 30 June 1968 - by 30 June 1968 he would have earned 96 hours (12 days) in the current leave year; however, he has taken 22 hours annual leave - leaving a projected balance of 74 hours (9 days and 2 hours) - providing he did not take any annual leave between the time he decided to participate and 14 June 1968, he would have to take annual leave from 2 hours on 17 June 1968 through close of business 28 June 1968 in order not to lose any annual leave - the balance 240 hours would be paid in a lump sum.

Persons returning to duty would start with a zero balance of annual leave. They would start earning annual leave upon return to duty. However, it would not become available for use until 90 calendar days employment was completed.

Sick Leave -- Retirees will have the sick leave balance which was to their credit when they separated, reccredited upon their return to duty.

Income Tax

Annuity payments are subject to income tax. However, there is an adjustment. Annuity payments equal to the amount of your retirement contributions (usually deductions) which have been subject to Federal Income Tax will not again be subject to such tax.

As an example - over a 30 year period of service an employee had a total of \$15,000 deducted for retirement. The first year of retirement he receives \$8,500 in annuity payments. These annuity payments are not subject to Federal Income Tax. The second year he receives \$8,500 in annuity payments, \$6,500 (the difference between \$15,000 and \$8,500) will not be subject to Federal Income Tax. The \$2,000 balance is subject to Federal Income Tax as these monies have not previously been subject to such tax.

Information received from Internal Revenue indicates that annuity payments which are not subject to Federal Income Tax usually cover from the first to the third year of retirement. The average is about the first eighteen months. This is probably a good arrangement for most retirees. The cost of adjustment, such as moving, is no doubt greater the first year of retirement. You should contact your District Director of Internal Revenue Service Office for specific information.

Life Insurance

Retirees may keep their Federal Employee's Group Life Insurance only (not accidental death and dismemberment), without further cost to him if:

- (a) He retires from a position in which he is insured;
- (b) He does not convert to an individual policy when his insurance as an employee would otherwise cease;
- (c) He retires on an immediate annuity (one which begins to accrue not later than one month after the date the insurance would otherwise cease); and
- (d) His retirement is after at least 12 years of creditable service.

If the employee has passed his 65th birthday at time of retirement, his insurance will be reduced by 2 per cent each month, beginning the second month after his separation; these reductions continue until the amount of insurance reaches 25 per cent of the amount in force at retirement. If the employee has not passed his 65th birthday at time of retirement, his insurance will continue at the amount in force at separation until the beginning of the second calendar month after his 65th birthday at which time the 2 per cent reductions referred to above will begin.

\$10,000 Optional Insurance

An employee who elects the optional insurance at his first opportunity and retires after it is effective (February 14, 1968) may generally continue it during his retirement if he is eligible to continue his regular insurance. After retirement, full premiums for the optional insurance will be withheld from annuity until age 65. The optional insurance is free for retirees age 65 and over and subject to the same 2%-a-month reduction as the regular insurance, until the maximum 75% reduction is completed.

Health Benefits

A retiree may keep his health benefits (1) if he retires on an immediate annuity after 12 or more years of service, and (2) if he was enrolled in a plan under the health benefits program from the date of his first opportunity or for the 5 years of service immediately preceding his retirement or continuously for the full period or periods of service beginning with the enrollment which became effective not later than December 31, 1964, whichever period is shorter.

Supplemental Annuity

Reemployed annuitants who work full time at least one year will be eligible to receive a supplemental annuity after final separation. Supplemental annuity is computed under the general formula as explained in Part III, paragraph 3, of Certificate of Membership (SF 105, Nov 66).

The full rates of basic salary in effect during all periods of full-time reemployment are used to determine the average salary, rather than any "high 5" average salary. Full rate of basic salary is the total salary, even though reemployed annuitant is not paid at the full rates because his basic salary during reemployment is reduced by the amount of his annuity. As an example: An annuitant was reemployed at \$11,843 PA (Step 2, GS-12), his monthly annuity was \$444 (30 years service, "high 5 average" with maximum benefit to surviving spouse - See Annuity Rates Table, SF 105, Nov 66) or \$5,328 per annum, his salary check for a 40 hour work week will be based on the difference between \$11,843 and \$5,328 or \$6,515. However, in computing supplemental annuity the average salary computation will be on the "full rate of basic salary" or \$11,843.

The supplemental annuity is computed by applying part (b) or part (c), or both, of the general formula, depending on the annuitant's total length of service, to the period of his full-time reemployment. The following example illustrates which parts of the general formula are to be used. The example assumes that 3 years was the period of full-time reemployment.

If the annuitant's original retirement was based on 6 years of service, only part (b) of the formula would be used because his total service was less than 10 years. If his original retirement was based on 10 or more years of service, only part (c) of the formula would be used because this part applies to all service over 10 years. If his original retirement was based on 8 years of service both parts (b) and (c) would be used; part (b) would be applied to 2 years of the reemployment period because it was between 5 and 10 years of total service, and part (c) would be applied to the remaining year of reemployment service because, when considered as a part of his total service, it was over 10 years.

As an example, an annuitant was reemployed full time for 4 years as a GS-12 and was receiving an annuity based on 30 years service (total 34 years); therefore, only part (c) of the formula would be used because this part applies to all service over 10 years. Applying part (c) - 2% of \$12,416 (average full rate of basic salary) is \$248, multiplied by the full-time 4 years of reemployment is \$992 per annum, less 10% of the amount due as a deposit to cover reemployment service. Such deposit may not be made until after separation from reemployment. Supplemental annuity is without survivor benefit and does not increase any annuity which may be payable to a survivor. Should a reemployment period consist of at least 5 years of continuous full-time service, at separation a deposit covering the reemployment service may be made and a special computation elected. Special computation operates as though the person was retiring for the first time, and secures for him a new right of election as to type of annuity and benefits of any liberalizing provisions enacted since retirement.

Participation One Time

Once a person has participated in Project 55-60 he cannot again participate. For instance, a person who was separated for retirement under Project 55-60, returned to duty at the end of the year, he could not again participate in Project 55-60 upon termination of reemployment. However, this would not preclude future reemployment by any agency of the Federal Government providing he met all the regulatory requirements. Ineligibility to participate more than once, simply means that while you may be reemployed, there is no agreement that you will be, nor is there any guarantee of grade and salary step.

* * * * *

FOR ADDITIONAL DETAILS CONTACT YOUR CIVILIAN PERSONNEL OFFICE.